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E.O. 12356: DECL: OADR
TAGS: EHGR, ETRD, CH
SUBJECT: MOFERT COMMENTS ON THE LTA

REF: BEIJING 21831

1. (C) SUMMARY: DURING A CALL ON MOFERT VICE MINISTER JIA SHI BY CODEL DODD, CODEL RAISED THE ISSUE OF THE LTA, NOTING THAT NONCOMPLIANCE BY CHINESE COULD HAVE RAMIFICATIONS BEYOND JUST AGRICULTURE. JIA'S REPLY WAS ESSENTIALLY THE SAME AS CEROILS' STATED POSITION DURING LAST WEEK'S CONSULTATIONS: NONCOMPLIANCE IN 1983 WAS DUE TO FACTORS UNRELATED TO GRAIN; AND IN 1984 TO PRICE, POOR QUALITY AND EVIDENCE OF EDB. JIA PROTESTED THAT GRAIN WAS UNRELATED TO OTHER ISSUES AND AMBASSADOR NOTED JIA HIMSELF HAD MADE SUCH A CONNECTION IN 1983. AMBASSADOR SAID HE WAS PLEASED THAT, AT LEAST THIS YEAR, CHINA WAS RESTRICTING ITS REASONS FOR NONCOMPLIANCE TO MATTERS RELATING TO THE AGREEMENT ITSELF. JIA DID NOT SEEM TO BE AWARE OF THE INVITATION TO CHINESE SCIENTISTS TO VISIT THE US. CEROILS AND MOFERT NOW APPEAR TO HAVE COORDINATED POSITIONS ON THIS ISSUE, AND TO HAVE USED LAST WEEK'S "EMERGENCY CONSULTATION" TO MEET THE LETTER OF THE AGREEMENT FOR CONSULTING ON NONCOMPLIANCE. END SUMMARY.

2. (LOU) DURING SENATOR DODD'S CALL ON MINISTRY OF FOREIGN ECONOMIC RELATIONS AND TRADE VICE MINISTER, JIA SHI, DODD RAISED THE ISSUE OF THE SINO-US LONG TERM GRAIN AGREEMENT (LTA). HE SAID THAT EVEN THOUGH HE WAS NOT FROM AN AGRICULTURAL STATE MANY BUSINESSMEN HAD EXPRESSED CONCERN OVER THE IMPLICATIONS WHICH CHINA'S NONCOMPLIANCE WITH THE LTA HAD FOR THE BUSINESSMEN'S OWN PRESENT AND FUTURE CONTRACTS. SEN DODD IMPRESSED UPON JIA HIS BELIEF THAT SUCH NONCOMPLIANCE HAS RAMIFICATIONS WHICH GO BEYOND AGRICULTURE, AND SAID US BUSINESSMEN WERE LOOKING CLOSELY AT IT.

3. (LOU) VICE MINISTER JIA REPLIED THAT DURING THE FIRST 2 YEARS OF THE LTA IMPLEMENTATION HAD PROCEEDED SMOOTHLY. HE ARGUED THAT OVER THE ENTIRE LIFE OF THE AGREEMENT CHINA HAD MORE THAN FULFILLED THE MINIMUM

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PURCHASE REQUIREMENTS. HE STRESSED THAT CHINA HAS ALWAYS BEEN VERY SERIOUS ABOUT IMPLEMENTING ALL OF ITS AGREEMENTS INCLUDING THE LTA. NEVERTHELESS, THERE WAS A TIME WHEN CHINA DID NOT FULFILL THE LTA (1983) FOR "REASONS KNOWN TO US ALL" HE SAID THAT WHEN CHINA RESUMED BUYING GRAIN HOWEVER, IT FOUND IT COULD NOT CONTINUE BECAUSE OF THE PRICE, LOW QUALITY AND EXISTENCE OF PESTS. MORE IMPORTANTLY, INSPECTION REVEALED TRACES OF CANCER CAUSING EDB. THIS WAS WHY URGENT CONSULTATIONS HAD BEEN CALLED WITH FAS LAST WEEK, TO URGE THE US TO RESOLVE THIS PROBLEM. NEVERTHELESS, HE SAID CHINA HAD PURCHASED CLOSE TO THE MINIMUM AMOUNT REQUIRED FOR 1984.

4. (LOU) SENATOR DODD THEN NOTED US FAS INVITATION TO CHINESE SCIENTISTS TO VISIT THE US TO STUDY THIS PROBLEM. HE ASKED JIA IF CHINA PLANNED TO ACCEPT THE INVITATION SO THAT THE ISSUE COULD BE RESOLVED. JIA REPLIED SIMPLY THAT DURING THE CONSULTATION BOTH SIDES HAD AGREED TO KEEP IN TOUCH.

5. (C) JIA THEN WENT ON TO ARGUE THAT THE GRAIN AGREEMENT SHOULD NOT AFFECT AREAS OTHER THAN GRAIN. HE SAID IT WAS UNRELATED. HE ALSO ARGUED THAT THE US HAS NOT LIVED UP TO ITS BILATERAL AGREEMENTS, CITING FIRST TEXTILES, THEN THE AGRICULTURAL COOPERATION AND TECHNOLOGY AGREEMENT, AND FINALLY DELAYS IN EXPORT LICENSING. ON THESE ISSUES THE AMBASSADOR RECOMMENDED HE STICK MORE CLOSELY TO THE SUBJECT AT HAND, AND NOTED SPECIFICALLY THAT THE ISSUE OF POTENTIAL DELAYS DUE TO EXPORT LICENSING IS WRITTEN INTO ALL CONTRACTS SO US CANNOT BE ACCUSED OF VIOLATING THEM ON THAT COUNT. AMBASSADOR THEN SAID THAT AT THE VERY LEAST CHINA HAD MADE SOME PROGRESS BY RESTRICTING ITS REASONS FOR NONCOMPLIANCE IN 1984 TO MATTERS RELATING SOLELY TO GRAIN. HE RECALLED THAT IN 1983 VICE MINISTER JIA HAD PERSONALLY LINKED NONCOMPLIANCE TO UNRELATED MATTERS AND AMBASSADOR HAD WARNED HIM THAT WAS INAPPROPRIATE AND UNWISE.

6. (C) COMMENT: JIA WAS AT LEAST AS UNREPENTANT ABOUT NONCOMPLIANCE AS WAS CEROILS DURING LTA CONSULTATIONS LAST WEEK (REFTEL). CHINA HAS STAKED OUT ITS POSITION ON EDB AND PROBABLY SEES LAST WEEK'S EMERGENCY CONSULTATIONS AS MEETING THE LETTER OF THE LTA FOR CONSULTATIONS ON NONCOMPLIANCE. ALTHOUGH THE ISSUE

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OF A FUTURE AGREEMENT WAS NOT RAISED, IT DOES NOT APPEAR THAT THERE IS ANY SUBSTANTIAL DIFFERENCE BETWEEN MOFERT AND CEROILS ON COMPLYING WITH THE LTA, REGARDLESS OF PREVIOUS HIGH LEVEL ASSURANCES TO THE CONTRARY.

7. (LOU) JIA'S REPLY TO SENATOR DODD ALSO INDICATED IGNORANCE OF THE INVITATION TO CHINESE SCIENTISTS TO VISIT THE US ASAP TO DISCUSS EDB. EMBASSY WILL FOLLOW-UP WITH APPROPRIATE AUTHORITIES TO ENCOURAGE RESPONSE TO THAT INVITATION. END COMMENT. HUMMEL
END OF MESSAGE

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